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BOATING INDUSTRY

$5.00 THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY JANUARY 1987

WINTER BOAT SHOWS ISSUE

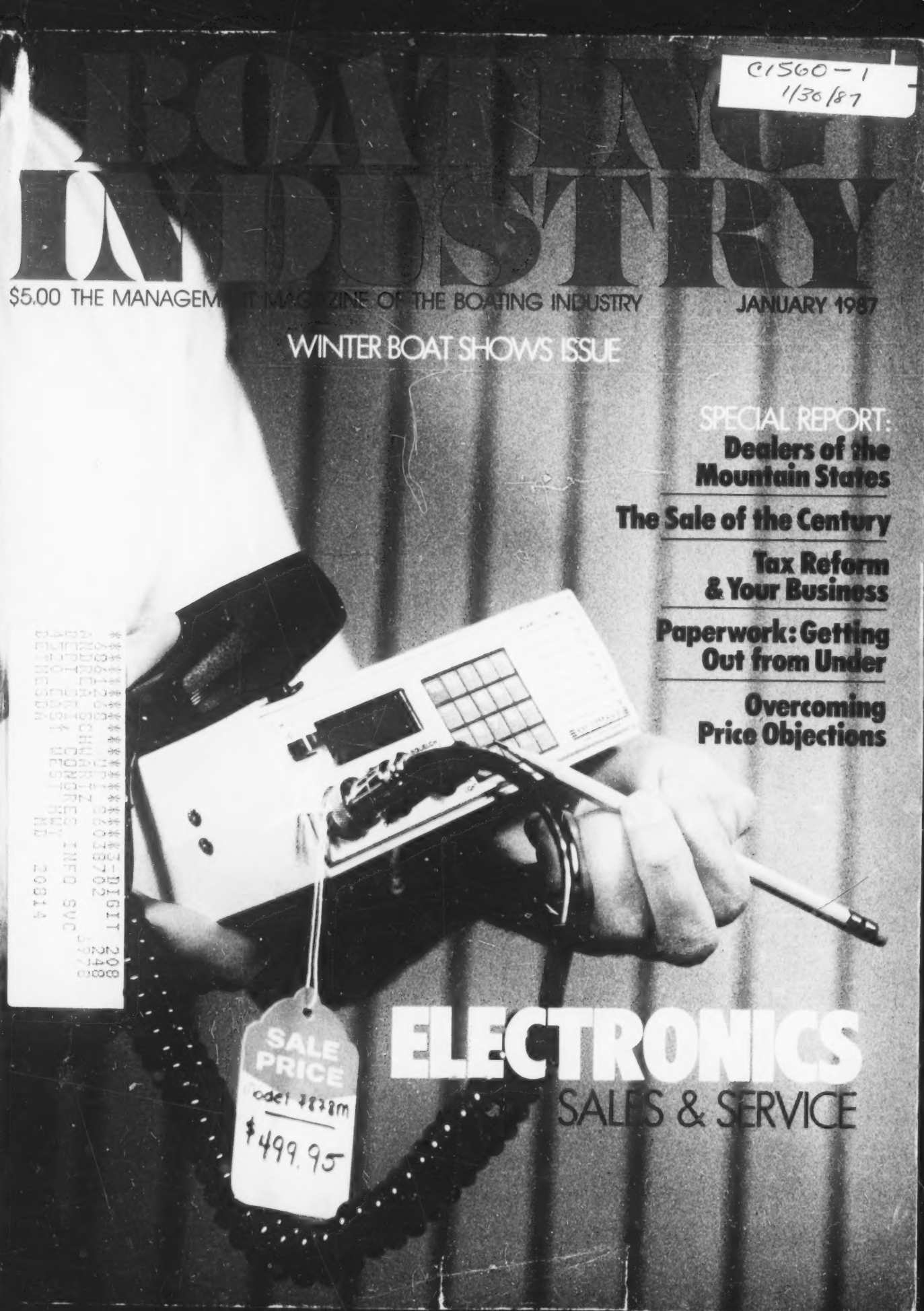
SPECIAL REPORT:
Dealers of the Mountain States

The Sale of the Century

Tax Reform & Your Business

Paperwork: Getting Out from Under

Overcoming Price Objections



ELECTRONICS
SALES & SERVICE

BOATING INDUSTRY

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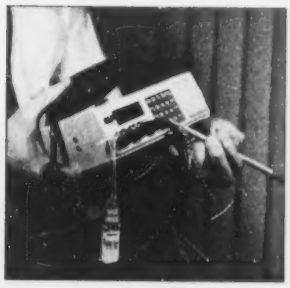

Cover

The dealer's pivotal role in the sale and servicing of marine electronics is the focus of our special report. As sales continue to gain momentum, the marine retailer is being exposed to a host of opportunities.

PHOTO BOUNDAS/RAY JEFFERSON MODEL 7878M VHF/FM RADIO

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The Boating Business: 1986

A statistical report on the market accomplishments recorded by recreational boating in the past year, based on the most current data available from trade associations and recognized authorities.

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Dealers of the Mountain States

The landlocked mountain states form a vast region that is especially appealing to lovers of the outdoors. Despite its rugged beauty and pristine lakes and waterways, it does present marine retailers in that sector of the country with some special challenges.

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Tax Reform & Your Business

The tax overhaul package's long-term impact is uncertain; however, some economists feel that the transition years of 1987-88 may cause some major disruption in how we do business.

77

Overcoming the Price Hurdle

The desire to gain is a powerful motivator, and it is certainly uppermost in a customer's mind when wanting to negotiate a better deal. The professional salesperson knows how to deal successfully with those feelings.

80

The Marine Dealer & Electronics

Competition, always fierce, is reaching new heights as catalog and discount houses offer the perception of lower prices for marine electronics. On a bright note, however, what remains constant is that successful dealers offer personalized care and reliable service.

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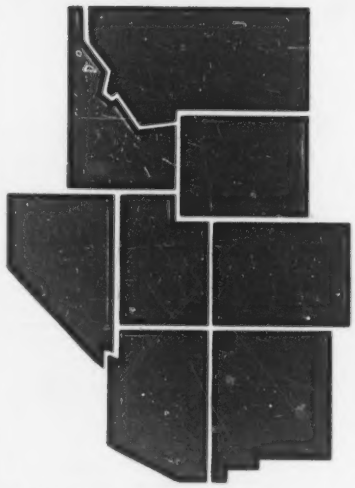
Are You Buried in Paperwork?

Why can one dealer be totally organized throughout the entire season, while another dealer is never organized? There is probably one reason for this predicament: the organization and completion of paperwork is not assigned a top priority.



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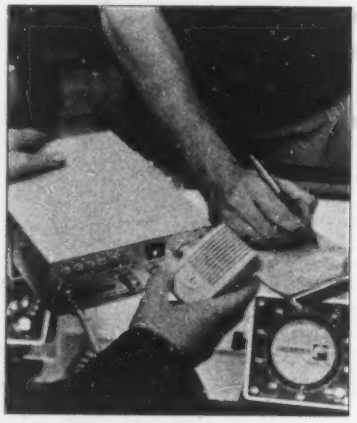


electronics market prospers **80**

dealing with paperwork **96**

BOATING INDUSTRY

The Boating Business

An annual report on the achievements of the recreational boating industry in the year just past, based on the most current data available. The information presented here by the editors of BOATING INDUSTRY is meant for use as business guidelines in 1987. Some statistics are the result of our own nationwide surveys; others are derived from materials supplied by the National Marine Manufacturers' Association, the U.S. Coast Guard, the U.S. Chamber of Commerce, and individual manufacturers and groups. The industry experienced solid growth in '86, and all indicators point toward continued prosperity in 1987.

1986

1986 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY

PEOPLE: 69,310,000 Americans participated in recreational boating in 1986, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 13,071,000 went water skiing.

BOATS: 14,285,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,606,000 outboard boats owned in the U.S.

INBOARD BOATS: The 432,000 inboard boats owned include auxiliary-powered sailboats and

boats documented by the U.S. Coast Guard.

SAILBOATS: 1,203,000 sailboats without inboard power were in use in 1986 on all waters.

OPEN-DECK BOATS: An estimated 137,000 pontoon boats were in use.

HOUSEBOATS: 33,500 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 1,074,000 in use at the close of 1986.

MISCELLANEOUS: An estimated 3,799,500 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1986.

OUTBOARD MOTORS: outboard motors were in use during 1986.

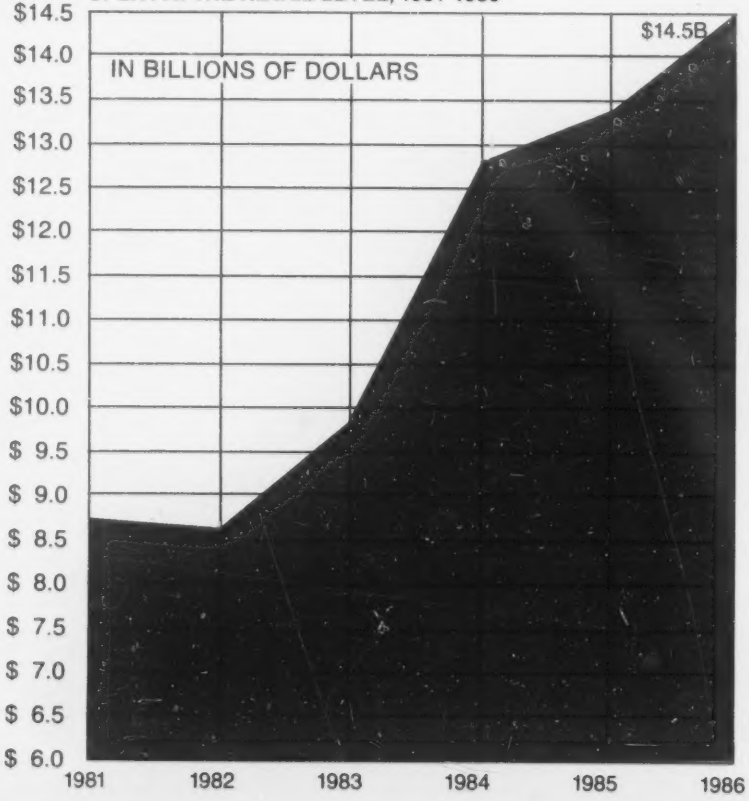
INBOARD ENGINES: Approximately 1,937,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1986, it is estimated that the number of jet drives in use was 98,000.

BOAT TRAILERS: Approximately 5,336,000 boat trailers were owned in 1986, including those that were both home-made and factory-produced.

MARINAS: Approximately 10,669 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1985. Marinas, boatyards, and dealer/marina combos accounted for approximately 5,700 units.

SPENT AT THE RETAIL LEVEL, 1981-1986



1986 SALES ESTIMATES

Approximately $14,479,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

314,000 outboard boats
18,000 inboard boats
120,000 inboard/outdrive boats
16,400 pontoon boats
33,300 non-powered sailboats (excludes sailboards)
60,000 sailboards
3,900 auxiliary-powered sailboats
80,200 canoes
194,000 boat trailers
410,000 outboard motors
30,600 inflatable boats

An Overview of 1986 Boating Highlights

The year just past may very well have been a crossroad for the small producer of boats and boating products. BIG business barreled its way to the forefront of the boating scene in 1986, and its entrenchment has unmistakably altered the business landscape.

It was not totally unexpected. In 1985 almost 100 mergers and acquisitions were consummated in the pleasure-boating industry. These unions ranged from modest acquisitions of small companies, or patents and tooling, to some heavy duty wheeling and dealing, like the founding of the Genmar conglomerate headed by Irwin Jacobs. In 1986 the buying frenzy continued, but the stakes got much higher.

The blockbuster deal of the year, and perhaps in all the history of boating, took place almost at year end in '86 with the dramatic announcement that Mercury Marine's parent company, the Brunswick Corporation based in Skokie, Illinois, had bought both Bayliner Marine and Ray Industries. The ripples created by this mega-transaction are far-reaching indeed, and will exert substantial influence on the marketing strategies of national boating producers whose output must compete with the awesome arsenal of product that will be marketed by the Brunswick empire.

It appears that further consolidation in the producer segment of the industry is inevitable as the proven success of "package" marketing motivates suppliers to pursue game plans culminating in vertical integration.

Fueling the interest of investors in the recreational boating market is the advent of continued, strong growth in the industry's customer base. All indicators point toward a bright future indeed as the industry continues to sharpen its business acumen, produce better products, and aggressively pursues its prime target: the baby boomers.

A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING

- Probably the most predominant concern of dealers and manufacturers alike was the rising cost of doing business, with the escalating cost of liability insurance, as well as scarcity of coverage, playing important roles. At the close of the '86 year, product liability reform remained just one more piece of unfinished business on the congressional agenda. To stem the growing frustration of boating manufacturers facing serious insurance problems, the NMMA developed the infrastructure for a captive insurance company under the NMMA umbrella in '86. The program was scheduled for launch in early 1987.

- The industry reacted swiftly to the safety and sport image problems created by alcohol abuse and boating. Manufacturers, the U.S. Coast Guard, associations, clubs, and other groups joined hands to educate the boating community and reduce the number of alcohol-related mishaps. Late in '86, the U.S. Coast Guard issued proposed rules on alcohol and boating, setting standards and penalties for drunk boaters. Barring unforseen delays, a law should go into effect in the spring of '87.

- Producers with a vested interest in the export market expressed optimism that this battered market is showing signs of recovery. There was a marked improvement in buying activity and inquiries, primarily as a consequence of the weakening U.S. dollar. There has also been stepped up activity in the granting of licenses to produce American goods on foreign soil; especially boats. Export sales organizations are reporting substantial increases in accessory business; a welcome reversal of the disappointing sales picture of the past few years.

- Despite the continued flatness of the sail industry, a re-direction of manufacturers' marketing strategies resulted in a revitalized domestic market for sailboards. Industry analysts are confident that this burgeoning growth will continue, regardless of the downturn in other segments of the sail industry.

- The C'mon Aboard industrywide promotion took a giant stride towards accomplishing its national goals with the announcement that the NMMA would fund the '87 campaign to the tune of $600,000, and would earmark an additional $250,000 in matching grants for local and state trade associations wishing to participate in the promotion's co-op advertising program.

- The hottest market in '87 may well be personal water vehicles. One leading engine manufacturer announced its entry into this market, and more newcomers are expected to join the group.

- The National Marine Manufacturers Association reinforced its position as the premier producer of boat shows in the world by adding two more shows to its stable in '86: the New Orleans Boat Show in Louisiana and America's Outdoor Expo in Knoxville, TN. The two acquisitions brought the number of NMMA show properties up to ten. In addition to an aggressive buying stance, the NMMA also showed a willingness to experiment with show tradition; namely allowing consumers to visit IMTEC last fall, shedding the show's "trade only" status in the process.

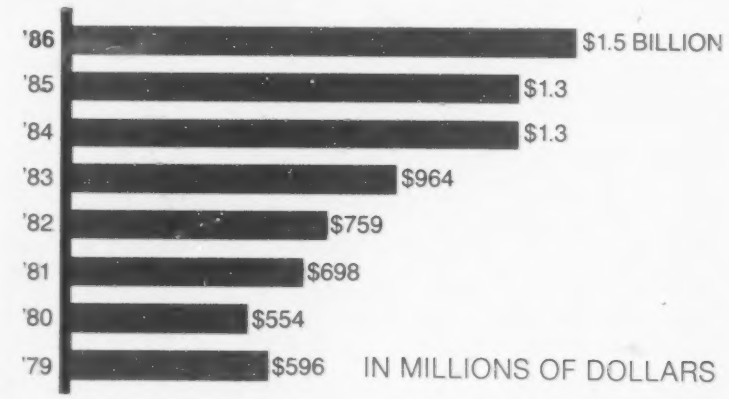
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1983	1984	1985	1986
$3,570 AVERAGE RETAIL COST OF 1986 OUTBOARD MOTOR				
Total units sold	337,000	411,000	392,000	410,000
Retail value	$963,820,000	$1,293,828,000	$1,319,080,000	$1,463,700,000
Average Value	$2,860	$3,148	$3,365	$3,570
$2,658 AVERAGE RETAIL COST OF 1986 OUTBOARD BOAT				
Total units sold	273,000	317,000	305,000	314,000
Retail value	$501,501,000	$708,178,000	$759,450,000	$834,600,000
Average value	$1,837	$2,234	$2,490	$2,658
$15,508 AVERAGE RETAIL COST OF 1986 INBOARD/OUTDRIVE BOAT				
Total units sold	79,000	108,000	115,000	120,000
Retail value	$974,860,000	$1,442,016,000	$1,663,360,000	$1,860,960,000
Average value	$12,340	$13,352	$14,464	$15,508
$854 AVERAGE RETAIL COST OF 1986 TRAILER				
Total units sold	184,000	200,000	192,000	194,000
Retail value	$121,624,000	$146,800,000	$151,680,000	$165,676,000
Average value	$661	$734	$790	$854

Outboard Motor Sales

Outboard motor sales are on the rise again after two years of unit declines and zero growth in dollars. In '86, sales increased by 9,000 units; the first increase in outboard motors since '84. Dollar sales reached $3.5 billion in '86, a 15% gain over the previous year. The average retail cost of the outboard continues to creep upward, albeit at a slower pace than last year. Price increases averaged 6.5% in '86 versus 7% in '85. Aggressive marketing strategies by an expanding field of outboard suppliers, plus the success of entry-level boat package sales, are broadening the customer base in this market.



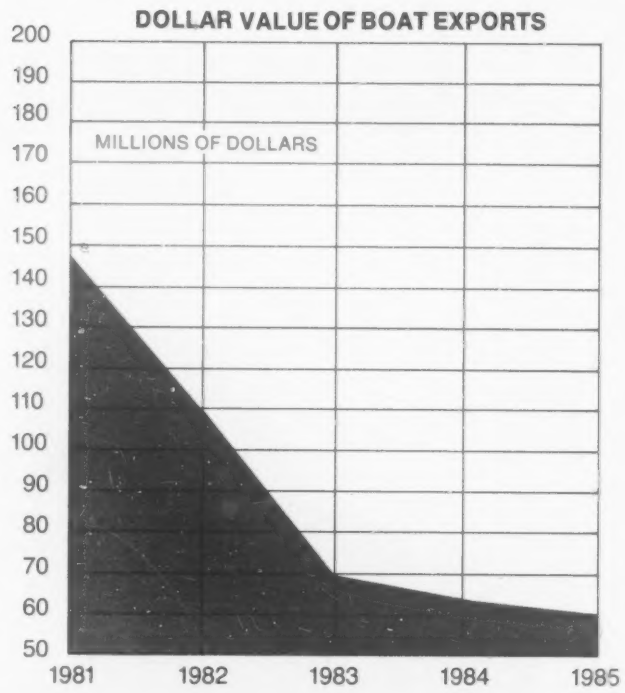
Exports Decline 7.1% in Dollar Value

The export market for United States pleasure boats and recreational boating products declined for the fifth year in a row in 1985; however, the losses sustained continue to dimish.

The retreat of the dollar in relation to other currencies is viewed as signaling an improvement, if not a gradual reversal of the lopsided balance of trade in boats and related equipment. The brightening economic picture for Europe is also lending a helping hand in restoring luster to a faded market.

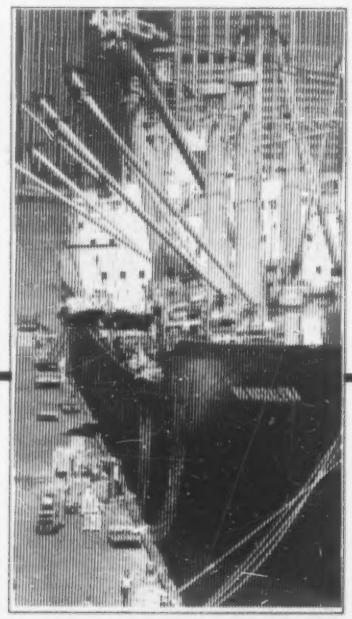
Boatbuilders and accessory manufacturers are currently reporting sizable increases in export sales; in many instances more product was sold in the first six months of '86 than was sold in all of '85.

In terms of dollar volume, the leading markets for American-made recreational boats and boating products were: Canada ($17.7M); Spain ($3.8M); United Arab Emirates ($3.6M); Bahamas ($3.5M); Italy ($3.2M); Japan ($3.1M); United Kingdom ($2.7M); France ($2.1M); Hong Kong ($2.0); and West Germany ($1.8M)



DOLLAR VALUE OF BOAT EXPORTS

Year	Value	% Change
1985	$ 60,596,000	−7.1
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 86,724,112	+13.2
1977	$ 77,983,753	+4.8
1976	$ 74,434,542	+20.5

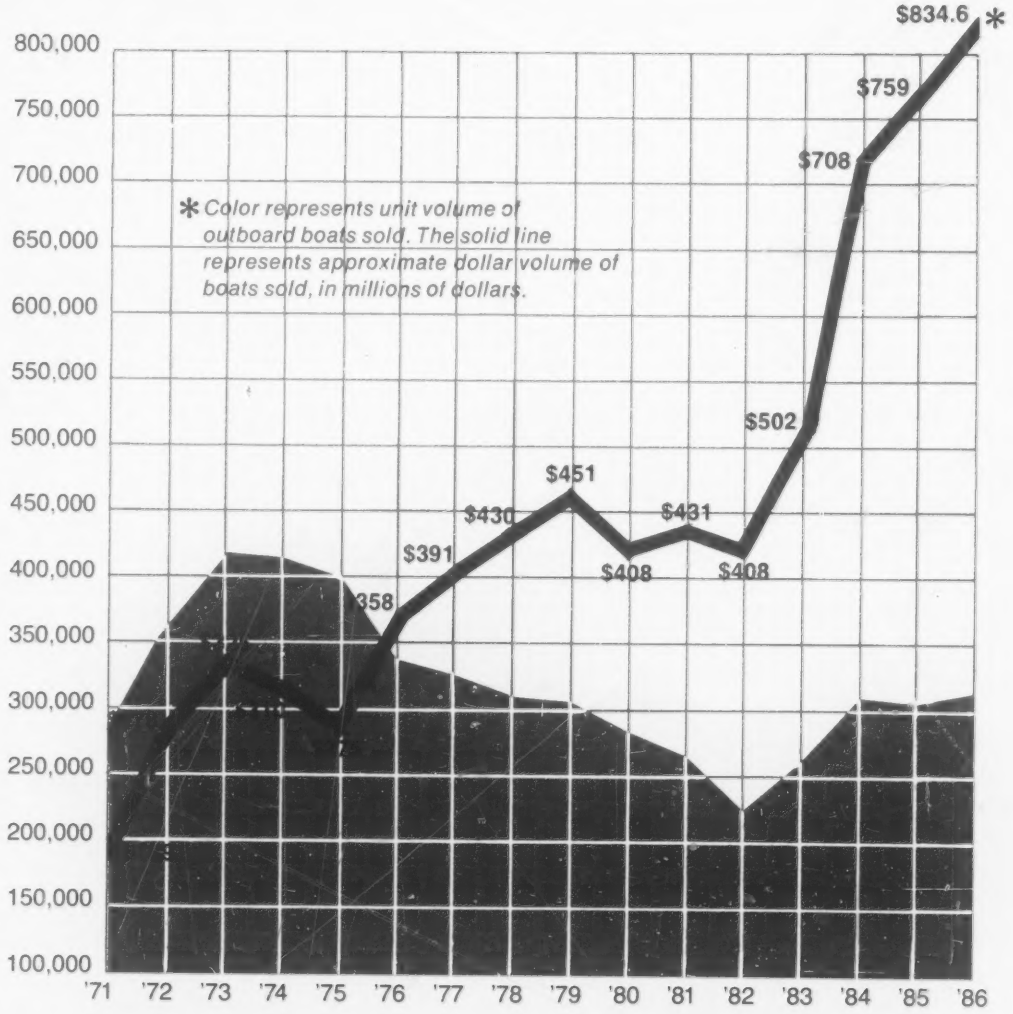


BEST EXPORT MARKETS

The markets listed below appear to be the most promising for U.S. exports of pleasure boats and accessories in the immediate future.

Canada	Japan
Spain	United Kingdom
United Arab Emr.	France
Bahamas	Hong Kong
Italy	West Germany

Outboard Boat Sales Take Upward Turn



In 1986, gains in dollar sales of outboard boats were also accompanied by an increase in unit sales, a reversal of the split gain reported in 1985. Dollar sales in '86 reached the $834.6 million mark; approximately 10% better than the '85 showing. Outboard boat sales ticked upward to 314,000; surpassing '85 sales by 9,000 units or almost a 3% increase.

The increase in both units and dollars was not unexpected, given that boatbuilders are investing more resources in refining their operations, improving the product, and in promoting their lines and the desirability of recreational activities afloat. Outboard manufacturers are making especially heavy expenditures in promoting racing and fishing events to broaden interest and their customer bases, and builders often ride the coattails of their endeavors. It is expected that sales growth will continue to gain momentum in the years ahead, as the baby boomers approach the ideal age to become boating prospects, and the industry aggressively pursues this population sector.

Average Length of Outboard Boats Remains Static at Sixteen Feet

AVERAGE LENGTH

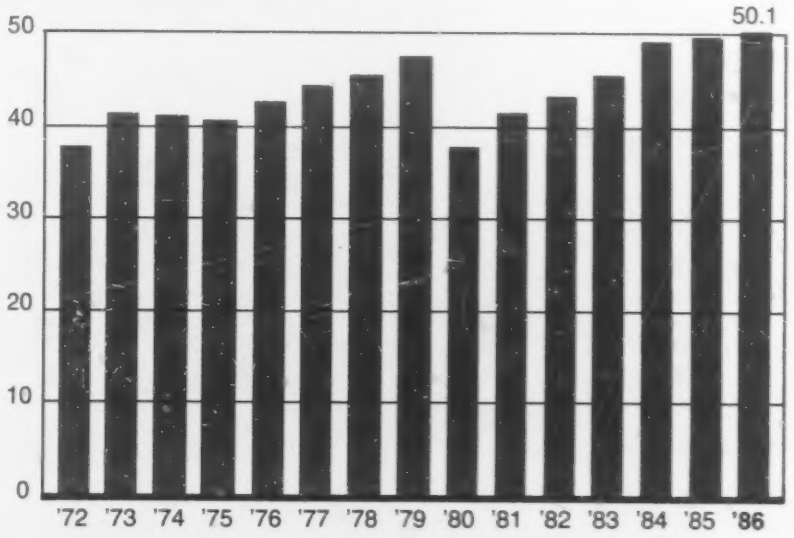
1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
14.9 FEET	15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET	16.0 FEET

In 1985—for the third year in a row—the average length of outboard boats sold remained steady at 16 ft. Volume producers in the boatbuilding business continue to impact the small boat market in a very positive way. The highly successful marketing strategies targeted at the novice mariner have largely been responsible for moving out small boat packages—boat, motor and trailer—by the tens of thousands in the past three years.

There is economic and demographic evidence that there will be a continuing strong market for small powerboats in the years ahead. It is expected, however, that many boatbuilders will be refining their promotion and merchandising efforts to zero in on the enjoyment of activities aboard a boat versus the act of boating per se. This repositioning of marketing strategies is expected to increase penetration of boating's "hot prospect market," and add more steam to powerboat sales. Producers' efforts to broaden the customer base are being complemented by greater marketing awareness and expertise at the retail level.

Outboard Motor Horsepower... An Upward Trend

For the seventh year in a row, the average horsepower of outboard motors sold in 1986 edged upward. Although the 50.1 rating in '86 is only four tenths of a percent higher than the '85 mark, it does set yet another high in average horsepower. Aggressive marketing strategies launched by a growing field of producers, a stronger consumer orientation, and continued investment in research and development continue to power growth in this market sector.



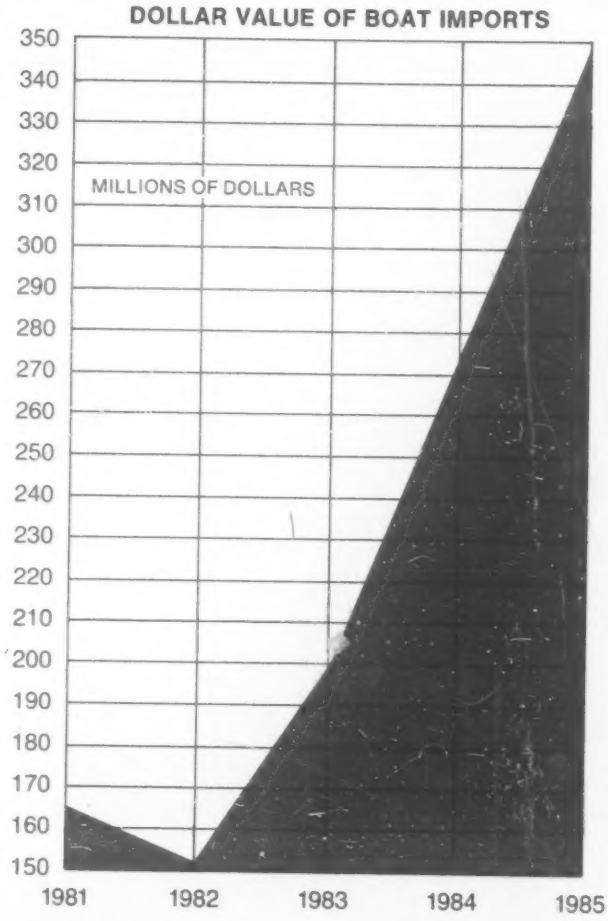
1985 Imports Show Hefty 37% Increase

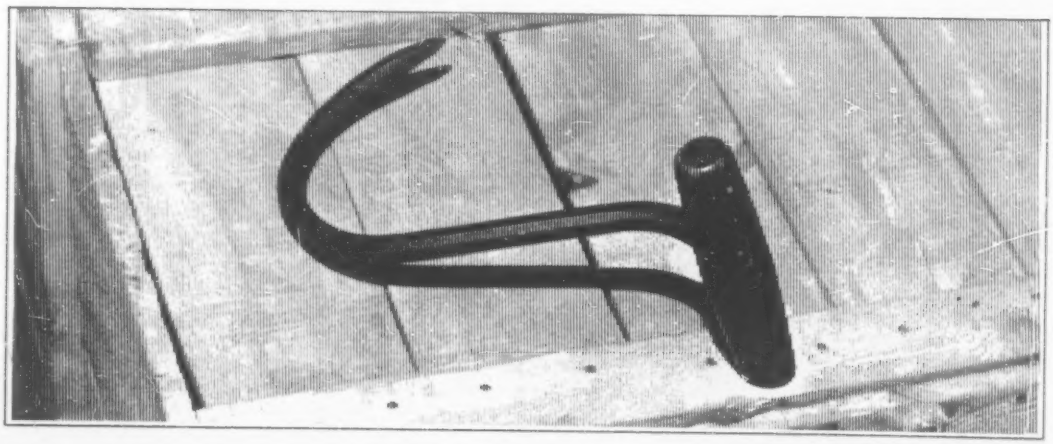
The dollar value of boat imports hit an all-time high in 1985, $350.5 billion; almost six times the level of boat imports a mere ten years ago. Despite the big numbers, it should be noted that the increase in '86 amounted to 23.6% as compared to a whopping 42.2% growth in import dollars in 1984. These are interpreted as showing continued strong interest by the boating consumer in foreign-made craft; however, the softening of the U.S. dollar, and revamped marketing strategies by U.S. builders may be stemming the tide of exports.

The major boat exporters to the United States were: Taiwan ($111.9M); Canada ($37.1M); France ($30.6M); Japan ($26.6M); Italy ($24.4M); Netherlands ($22.4M); U.K. ($18.7M); Finland ($14.5M); Hong Kong ($13.6M); and Singapore ($11.9M).

DOLLAR VALUE OF BOAT IMPORTS

Year	Value	% Change
1985	$350,485,000	+23.6
1984	$283,519,000	+42.2
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4
1976	$ 56,587,692	+9.1





Accidents Up in 1985

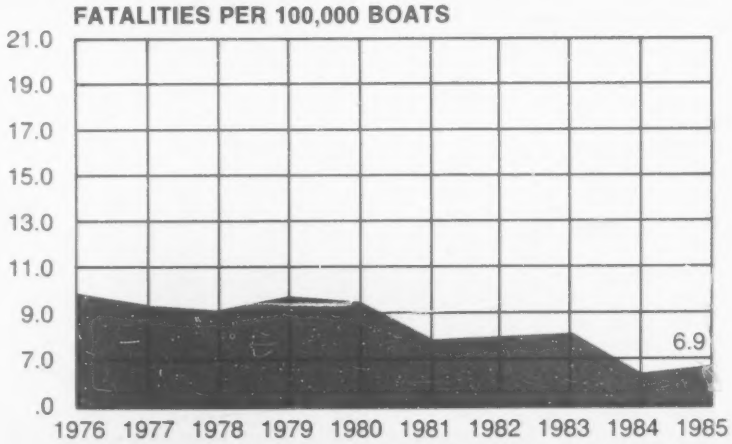
The number of boating accidents reported to the U.S. Coast Guard continued to climb in 1985. There were 6,237 such incidents in '85, an increase of 537 occurrences, or 9.6% over the '84 accident statistics.

Collisions are cited as the most frequent type of boating mishap, followed by capsizing and falls overboard. Property damage and non-fatal injuries in connection with boating accidents showed minimal increases over '85.

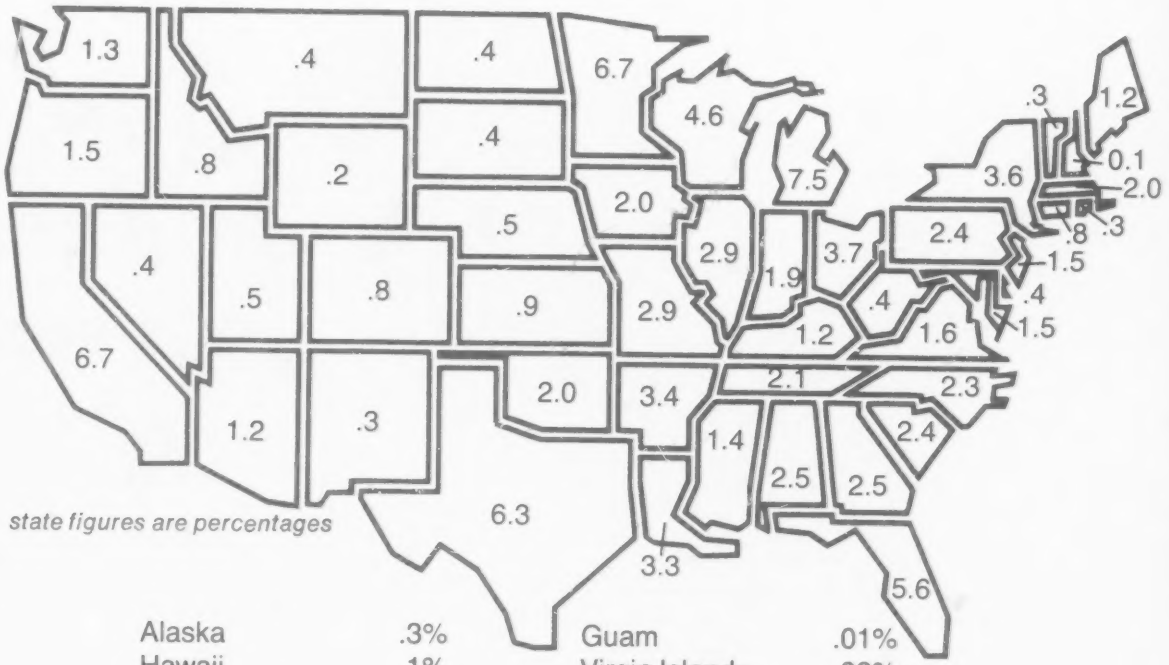
1982	1983	1984	1985	
5,377	5,569	5,700	6,237	boating accidents reported to the Coast Guard
7,071	7,344	7,510	8,305	boats involved in accidents reported to the Coast Guard
1,178	1,241	1,063	1,116	lives lost in boating accidents reported to the Coast Guard
2,682	2,913	2,709	2,757	persons injured non-fatally in boating accidents reported to the Coast Guard

Fatalities Rise Slightly: Death Rate Per 100,000 Boats is 6.9

The fatality rate per 100,000 boats held fairly steady in 1985, showing a slight .1% increase over 1984. the marginal increase is not especially alarming, and indeed, there is optimism that these percentages will decline in the years ahead. Growing public awareness about boating safety, and stepped-up efforts to educate the public about the role of alcohol in boating accidents are expected to bring about the desired decline. Another factor to be weighed in the rise in fatalities is that reporting systems statewide have become more efficient.



Distribution of 9,583,673 Registered Boats by State



Alaska	.3%	Guam	.01%
Hawaii	.1%	Virgin Islands	.03%
Puerto Rico	.2%	American Samoa	.00%
District of Columbia	.04%	Northern Marianas	.01%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME: Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—451,765 REGISTERED BOATS 4.71%										
Connecticut	3,175.9	77,078	0.80	41.2	147	618	15,272	32,156	1,154.9	815.0
Maine	1,175.4	119,038	1.24	9.9	2,270	3,478	10,020	20,608	431.2	222.4
Massachusetts	5,847.4	187,822	1.96	31.1	460	1,519	13,498	27,458	2,168.1	1,382.2
New Hampshire	1,000.7	9,339	0.10	107.2	286	131	12,547	26,965	368.2	237.0
Rhode Island	969.5	26,793	0.28	36.2	158	384	12,056	24,872	353.0	211.6
Vermont	537.8	31,695	0.33	17.0	341	—	10,037	20,654	198.2	102.6
MIDDLE ATLANTIC—1,753,209 REGISTERED BOATS 18.29%										
Delaware	621.4	39,875	0.42	15.6	112	381	12,182	25,647	221.4	135.5
District of Columbia	621.0	3,381	0.04	183.7	—	—	15,403	23,808	253.7	146.1
Georgia	5,990.5	241,973	2.52	24.8	854	2,344	10,505	22,490	2,1[illegible].6	1,174.9
Maryland	4,436.4	147,826	1.54	30.0	623	3,190	12,857	29,105	1,5[illegible]	1,066.9
New Jersey	7,618.9	141,196	1.47	54.0	319	1,792	14,237	29,843	2,76[illegible]	1,847.7
New York	17,966.2	340,300	3.55	52.8	1,731	1,850	12,745	24,556	6,676.7	3,916.1
North Carolina	6,304.9	218,019	2.27	28.9	3,826	3,375	9,960	20,362	2,299.0	1,170.2
Pennsylvania	12,012.0	229,044	2.39	52.4	420	89	11,211	22,948	4,492.6	2,538.8
South Carolina	3,396.3	233,890	2.44	14.5	909	2,876	9,159	19,640	611.3	589.4
Virginia	5,785.0	157,705	1.65	36.7	1,063	3,315	12,058	26,494	2,026.3	1,274.6

The source of the figures used in the Effective Buying Income section and Population section are from the July, 1986 issue of *Sales and Marketing Management*. The figures are estimated for 12.31.85.

The source of the figures used in the Inland Water section is the U.S. Bureau of the Census, Areas of the U.S., 1980 State Area Management Print-out.

The source of the Coastal Shoreline figures is the U.S. National Oceanic and Atmospheric Administration, *the Coastline of the U.S.*, 1975.

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water*	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,816,503 REGISTERED BOATS 18.95%										
Alabama	4,079.8	233,640	2.44	17.5	938	607	9,085	18,428	1,484.5	688.4
Florida	11,435.2	537,086	5.60	21.3	4,511	5,095	11,600	21,534	4,560.2	2,441.6
Louisiana	4,532.6	315,140	3.29	14.4	3,230	7,721	9,723	20,668	1,586.7	814.7
Mississippi	2,647.3	130,138	1.36	20.3	456	359	7,991	16,448	535.7	379.7
Texas	16,408.7	600,499	6.27	27.3	4,790	3,359	11,439	24,059	5,810.3	3,369.3
EAST CENTRAL—963,276 REGISTERED BOATS 10.05%										
Arkansas	2,401.6	327,226	3.41	7.3	1,109	—	9,034	17,625	874.8	385.8
Kentucky	3,786.2	117,333	1.22	32.3	740	—	9,452	19,128	1,351.2	648.6
Missouri	5,093.8	277,282	2.89	18.4	752	—	11,059	22,415	1,860.5	1025.2
Tennessee	4,793.2	200,582	2.09	23.9	989	—	9,776	19,810	1,764.9	874.5
West Virginia	1,967.9	40,853	0.43	48.2	112	—	8,892	18,167	730.7	333.0
GREAT LAKES—2,609,941 REGISTERED BOATS 27.23%										
Illinois	11,640.4	280,996	2.93	41.4	700	—	12,537	26,269	4,258.7	2,631.2
Indiana	5,585.8	176,887	1.85	31.6	253	—	10,651	23,499	2,004.4	1,158.7
Michigan	9,211.9	716,925	7.48	12.8	1,573	—	11,610	25,329	3,312.5	2,005.5
Minnesota	4,224.3	645,452	6.73	6.5	4,854	—	11,871	24,812	1,549.6	925.9
Ohio	10,836.0	351,394	3.67	30.8	325	—	11,288	23,862	4,019.1	2,339.1
Wisconsin	4,818.0	438,287	4.57	11.0	1,727	—	11,189	23,674	1,780.0	1,034.7
WEST COAST—912,067 REGISTERED BOATS 9.52%										
California	26,345.3	642,987	6.71	41.0	2,407	3,427	13,144	26,557	9,709.5	6,022.4
Oregon	2,709.2	143,373	1.50	18.9	889	1,410	10,455	21,385	1,036.7	552.3
Washington	4,416.7	125,707	1.31	35.1	1,627	3,026	11,880	24,332	1,708.8	1,001.7
MIDWEST MOUNTAINS—1,008,643 REGISTERED BOATS 10.52%										
Arizona	3,252.2	111,702	1.17	29.1	492	—	10,715	21,714	1,241.6	669.4
Colorado	3,269.7	72,415	0.76	45.2	496	—	12,368	25,419	1,273.4	778.4
Idaho	1,029.9	71,148	0.74	14.5	1,153	—	9,404	21,009	351.0	184.4
Iowa	2,942.8	190,118	1.98	15.5	309	—	10,869	21,297	1,121.8	594.8
Kansas	2,470.5	85,018	0.89	29.1	499	—	12,413	23,974	929.4	541.8
Montana	836.7	34,462	0.36	24.3	1,657	—	9,661	19,417	321.6	156.0
Nebraska	1,622.4	49,737	0.52	32.6	711	—	11,419	22,143	608.8	333.7
Nevada	940.9	33,068	0.35	28.5	667	—	12,127	24,180	383.1	225.9
New Mexico	1,475.7	28,260	0.29	52.2	258	—	9,379	19,622	524.2	257.3
North Dakota	699.9	37,598	0.39	18.6	1,403	—	11,607	23,978	247.7	144.5
Oklahoma	3,356.0	193,000	2.01	17.4	1,301	—	10,563	20,592	1,269.1	651.6
South Dakota	719.3	34,299	0.36	21.0	1,164	—	10,287	19,261	264.0	127.3
Utah	1,698.8	47,353	0.49	35.9	2,826	—	8,784	23,239	525.1	303.1
Wyoming	516.4	20,465	0.21	25.2	820	—	11,614	26,301	189.5	118.7
NON CONTIGUOUS—68,269 REGISTERED BOATS 0.71%										
Alaska	537.8	27,597	0.29	19.5	20,171	31,383	14,581	32,534	195.3	127.6
Hawaii	1,071.3	13,418	0.14	79.8	46	1,052	11,832	28,140	334.0	216.4
American Samoa	—	167	0.00	—	—	—	—	—	—	—
Guam	—	710	0.01	—	—	—	—	—	—	—
N. Marianas	—	634	0.01	—	—	—	—	—	—	—
Puerto Rico	—	23,025	0.24	—	—	—	—	—	—	—
Virgin Islands	—	2,718	0.03	—	—	—	—	—	—	—

The Average Dealer, 1986

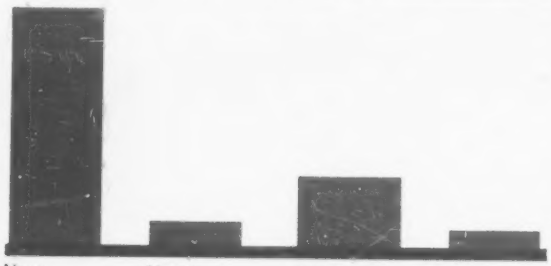
The past year has in many cases matched optimistic expectations of many boat dealers across the country. Two factors most often cited as being behind the continued upswing are low interest rates and the drop in the price of fuel. Entry level I/Os and runabouts accounted for large increases in sales at many dealerships, and several dealers pointed to a favorable financing climate as attracting new boaters. The low interest rates may bode well for the industry in the long term as those boaters trade up to larger models in coming years. While the drop in oil prices was generally seen as a boon to the powerboat industry, some saw it as a two-edged sword. Several dealers in areas where economies are closely tied to oil—especially Louisiana, Texas, and parts of southern California—reported soft sales and were more cautious about the future.

Dealers in coastal areas saw strong sales in mid-range I/O and inboard family cruisers. The year was also a good one for wide-beam fishing boats. In lake areas, bass boats continued to have strong appeal. Pontoon boats appeared to have shed their image as "retirees' boats" and were attracting younger, more family-oriented boaters. Pontoons were also being seen as more trailerable. Evidence of their popularity could be seen from the sharp increase of pontoon boat manufacturers. Reactions to sailboats was mixed. One dealer in the Great Lakes region saw a dramatic increase in sailboat activity—especially in the Catalina and S2 lines. The interest in the upper end of the market may bode well for the mid and lower end sailboats, he said. Many dealers reported increased store traffic and good accessory sales, although some faced tough competition from discount houses, which forced down profit margins.

Several dealers tempered their rosy business outlooks with the realization that 1987 is likely to be more competitive. One reason is that consumers are becoming more sophisticated. Increasingly, people in the market for boats are better educated about financing arrangements and are more apt to shop for quality than just price. At the same time, virtually all dealers queried during the year cited substantial increases in the cost of doing business. Insurance costs—especially product liability—have in some cases more than doubled over the course of one year, and have often gone hand in hand with less coverage. While some dealers looked to buying groups as one way of relieving the crisis, federal product liability reform is a possibility during the next Congress. Dealers also cited local business/occupational taxes and employee wage increases as pushing up further business costs. To pay for those costs, some dealers have taken a hard look at their operations, and plan to market more aggressively to increase volume. In trying to keep costs down, it is important to understand financial statements, said one dealer. "The bottom line has to be there. We had a 2% increase in total operating costs over last year. We've had to increase our prices to cover those costs."

One piece of legislation that will influence the market next year is the 1986 tax reform law. Among other things, the law will gradually phase out deductions for consumer and financing types of interest, making borrowing money for vacations and other types of consumer items more expensive. Nonetheless, many dealers are optimistic for 1987, and have matched or increased initial orders for new models over 1986.

SOURCES OF GROSS INCOME, 1986



Marinas and Boatyards, 1986

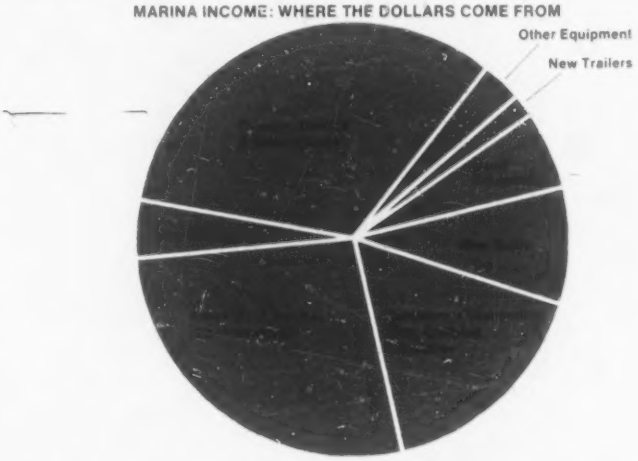
Hundreds of marinas were sold in 1986, many to real estate developers for conversion to expensive residential housing. Current marina selling prices would have been thought preposterous only 5 years ago. Among the impacts of this trend are higher slip prices and fewer boatyard services.

A "sellers' market" saw slip rental rates leap over 50% in some areas in 1986. Conversion to dockominium or long term leasing gained popularity among land developers and marina owners. Slip buying by boaters was spurred by fears of major shortages in the near future, especially around urban areas and key boating centers. Pressure mounted for increased tax monies to build publicly managed facilities, which could undercut private competition.

California had major increases in new slips and reports a surplus, largely due to opening more publicly financed mega-marinas. Respectable marina growth on the Great Lakes and inland lakes opened boating to more first time boaters. Marina plans for metropolitan New York shores, if realized, could make it the yachting capital of the world. Slip demand continues well ahead of supply in the rest of the nation. Several states find marina growth "in irons" due to a combination of restrictive government regulations and sell-outs for water-enhanced development. Government planners have begun to evaluate means to protect boatyard services and to streamline permits.

A few boat and motor manufacturers began buying and building full-service marinas to assure competitive access for their products. The trend toward manufacturing bigger yachts began squeezing boats under 25' out of slips. Many marina owners rec[illegible] professional training to mod[illegible]ze facilities, expand capacity (wet, dry and stack), computerize records, analyze profits and generally upgrade management. Those that do will survive, compete and profit as the decade ends.

MARINA INCOME: WHERE THE DOLLARS COME FROM



The Water Ski Market

PEOPLE: 13,071,000 persons participated in water skiing at least once during 1986.

SALES BY TYPE:
$10,500,000 combination/regular skis
$17,085,000 slalom skis
$ 1,086,000 trick skis
$ 280,000 jump skis

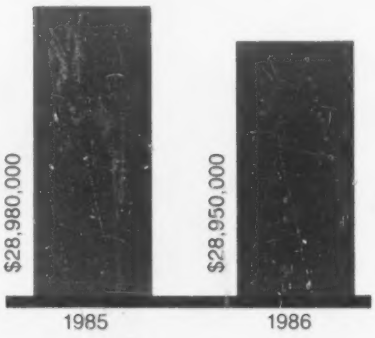
TOTAL DOLLAR SALES: Total dollar sales in 1986 at the wholesale level added up to $102,900,000; as opposed to $103,700,000 in 1985. This former figure should increase in 1987.

WATER SKI SALES: The total wholesale dollar value of water ski unit sales in 1986 was $28,950,000 as opposed to $28,980,000 in 1985.

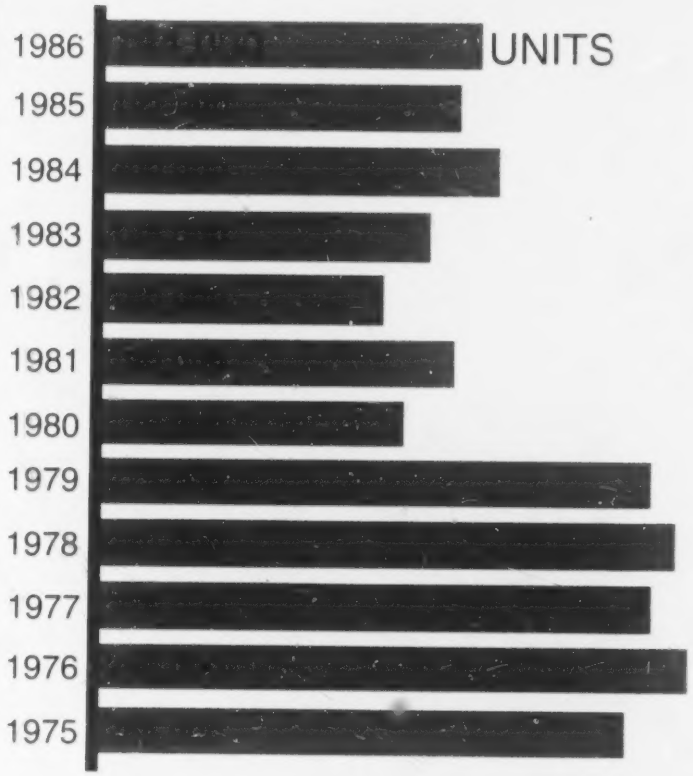
WATER SKI ACCESSORY SALES: At the wholesale level, sales of approximately $42,980,000 were reported for vests, ropes, and other water ski accessories; as opposed to total wholesale sales of $41,280,000 in 1985.

Figures tabulated from several sources, including the Water Ski Industry Association, North Palm Beach, Fla.

DOLLAR SALES OF WATER SKIS



The Trailer Market Hits Plateau



Strong sales in sportfishing boats, cruisers, and runabouts in '86 bent the sales curve upward in the trailer market. Unit sales were up by 2,000 and dollar revenue increased by approximately $14 million. The average retail cost of a boat trailer rose by 8% in '86, compared to a price rise of 7.6% the previous year. Diminished and expensive slip space has also contributed to the increased demand for trailers, and may also be encouraging boaters to trailer larger craft.

Although many trailer manufacturers feel they have not been impacted by the practice of some boatbuilders to provide a trailer with their boat and motor packages, others feel that the volume sales of these packages will influence some trailer companies to use boat manufacturers as a primary outlet for their product, instead of the dealers and distributors.

TOTAL SALES

$121,624,000	$146,800,000	$151,680,000	$165,676,000
$661	$734	$790	$854
1983	1984	1985	1986

AVERAGE RETAIL COST

The Financial Marketplace

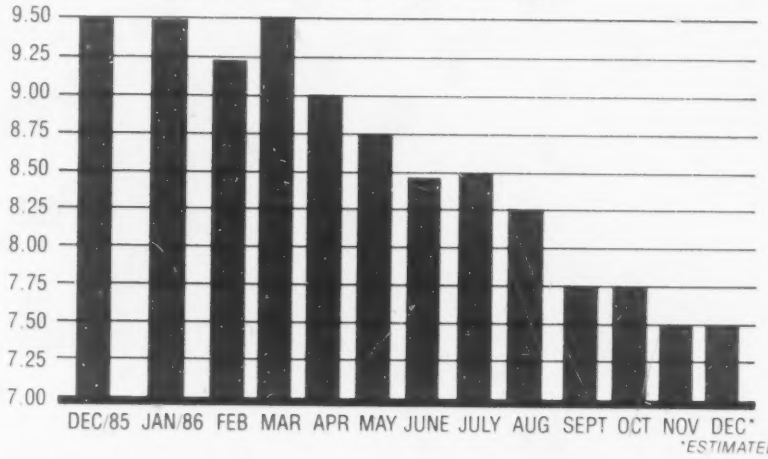
Competition among the nation's major marine lenders for the retail consumer and wholesale (inventory) accounts of dealers and manufacturers ran unabated throughout 1986. The result was seen in downward trending interest rates for literally all marine accounts, continuing growth in funding availability and roll-out of new programs and services for the industry and individual borrowers.

Major developments included the establishment of a secondary loan market for boat paper on Wall Street and linkages between the big boat-builders and the captive finance arms of the Detroit automakers. In the first instance, secondary markets should help to insure the future availability of funding for boating, particularly in credit markets which turn slightly sour. The second development may rattle some hometown marine financing sources, but indicates financial marketers are viewing boating with growing respect.

At the close of '86, government regulators and money center magnates were expressing concern over the ability of consumers to manage their skyrocketing installment debt. While some suggest consumers may curtail their spendthrift ways, others see no end in sight given low inflation, stable interest rates, bargain crude, and growing discretionary income. Tax reform will also change the way consumers borrow, but continue to borrow they surely will.

Source: National Marine Bankers Association

PRIME RATE PROFILE FOR 1986



*ESTIMATED

The Accessories Market Strong

Marine accessories, on the average, account for 10% of the business done by the average marine dealership, although these products account for more than 10% of the profits because of their higher mark-ups. In 1986, it is estimated that accessory sales totaled $990,100,000. It is widely held that sales in the coming year will continue to rise, and distributors anticipate carrying larger inventories to meet increased demand.

Changes of an evolutionary versus revolutionary nature are currently taking place in the distribution patterns of this market. The biggest influences toward change in the contemporary world of distribution are the advent of buying groups and the solid presence of catalog houses and mass merchandisers courting the consumer. The influence of mass merchandisers and buying groups probably means that the distributors will have to offer increasingly better ancillary services to their dealer customers. The basic thought is that distributors will not be able to compete on price alone.

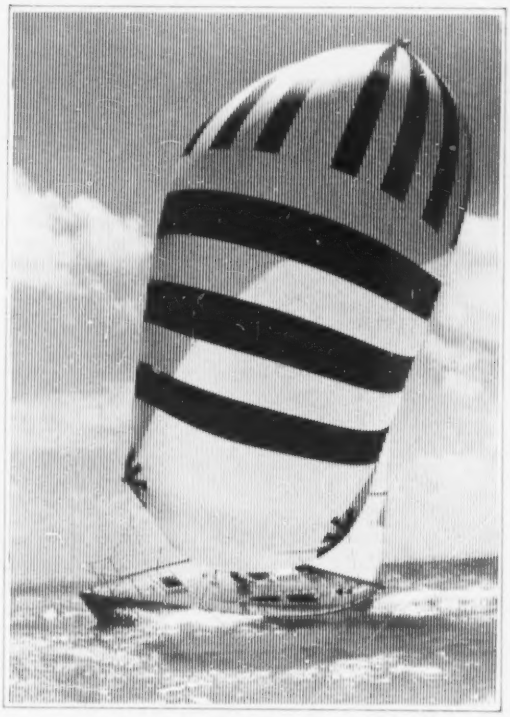
In efforts to stimulate sales beyond the expected growth surge in 1987, the industry's national promotion to push accessory sales has been retitled, "Accessories Savings Month" replacing "April Marine Accessory Month." It is the consensus that the new slogan reinforces the message that there are consumer savings to be had during the promotion. Furthermore, the campaign is more adaptable to regional market patterns as a consequence of dropping the "April" timeline. Major funding for the development of advertising materials and campaign strategies to promote participation at the trade level will be provided by the National Marine Manufacturers' Association NAMPS Group.

Sailboat Market Decline Continues

There was another round of disappointment in store for the sail industry in 1986, as the market failed to rally despite considerable expended effort and a multitude of programs aimed at reviving stagnant sales.

Unit sales of non-powered sailboats in general sank even lower into the sales trough, setting another six-year low sales mark. Auxiliary powered sailboat sales in the 30 ft. and under range remained flat, and only auxiliary powered sailboats over 30 ft. showed any improvement—a slim 4% increase in unit sales.

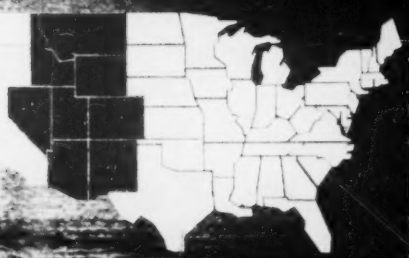
On a brighter note, the fact that the decline in non-powered sailboat sales in 1986 was only 2% as compared to a 7% drop in 1985 may be viewed as a sign of improvement in the business climate. The fall sailboat shows in '86 reported stirrings of sales activity, and domestic builders will be helped by the thinning field of foreign builders competing for available consumer dollars. Weakening of the dollar and spotty distribution practices are beginning to impact on the more speculative of the foreign sailboat producers. Domestic builders are also making headway by introducing new designs aimed at satisfying the needs and wants currently being expressed by today's sailors.



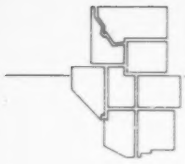
	1984	1985	1986
NON-POWERED SAILBOATS, ALL SIZES*			
Total units sold	36,600	34,000	33,300
Retail value	$118,108,000	$115,430,000	$88,415,000
Average retail unit cost	$3,227	$3,395	$2,655
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total units sold	1,100	1,100	1,100
Retail value	$33,827,000	$37,335,000	$40,651,000
Average retail unit cost	$30,752	$33,941	$36,956
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total units sold	3,050	2,700	2,800
Retail value	$241,377,000	$217,620,000	$236,880,000
Average retail unit cost	$79,140	$80,600	$84,600

*DOES NOT INCLUDE SAILBOARDS

Dealers of the Mountain States

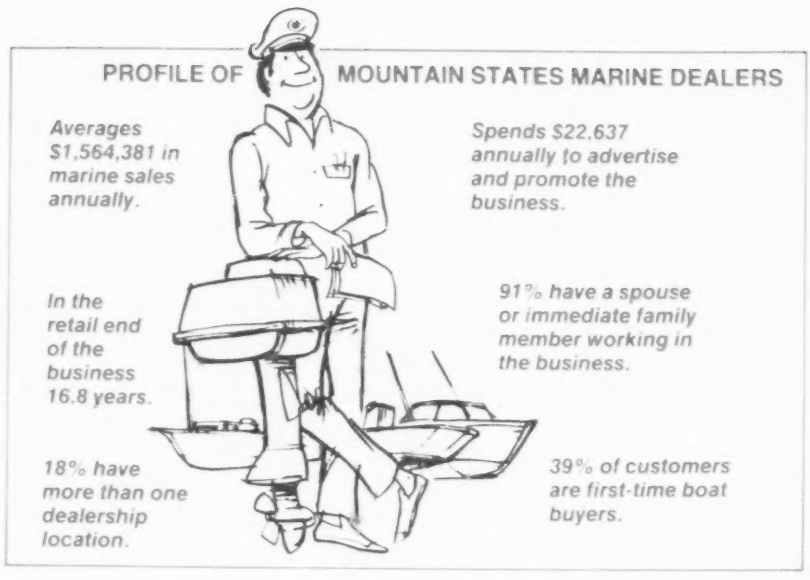


The landlocked states in the mountainous western region of the U.S. may seem to be the last places for boat dealers to set up shop. Yet within this vast region of rugged beauty, an abundance of lakes, rivers, and reservoirs, and a population that thrives on an outdoor lifestyle, provide a special attraction for marine retailers. It is a diverse region that poses special challenges: high freight charges, severe labor shortages, and sparse populations. BOATING INDUSTRY surveyed dealers in this area to find out what it takes to make the bottom line.



MOUNTAIN STATES SURVEY

BY JOHN DE GASPARI


PROFILE OF MOUNTAIN STATES MARINE DEALERS
Averages $1,564,381 in marine sales annually.
Spends $22,637 annually to advertise and promote the business.
In the retail end of the business 16.8 years.
91% have a spouse or immediate family member working in the business.
18% have more than one dealership location.
39% of customers are first-time boat buyers.

The landlocked mountain states that form a vast region of rugged beauty—with a wealth of pristine lakes, reservoirs, and winding rivers—is a paradise for outdoor enthusiasts and provides a special attraction for marine dealers. It is also a region of staggering complexity, results of a recent study of marine dealers in the area revealed. That survey for which BOATING INDUSTRY received a 16% response, indicated areas of contrasting economic profiles, labor markets, and product availability, every bit as varied as the natural environment.

If the remarks of dealers in the mountain states showed anything, it was that the region presented them with some special challenges: high freight charges, soft local economies, scarce populations. How well dealers are able to meet these challenges may often dictate their success in an industry that is putting more and more emphasis on volume, market penetration, and the bottom line.

To a great extent, dealers in the mountain states are specialized businesses—67% of those who replied to the survey are exclusively boat dealers, and 25% are dealers with a marina or boatyard. Several dealers stated that the market is becoming increasingly sophisticated, and that boaters are expecting boat dealers to be "specialists" in their area.

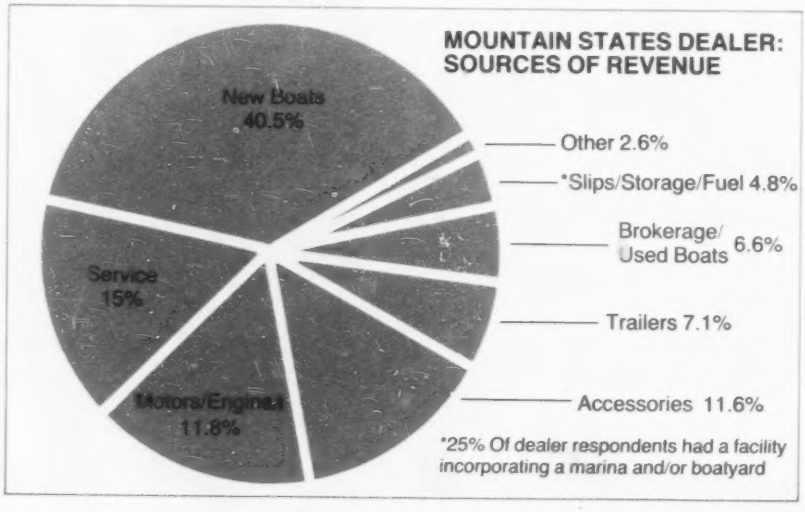
Most dealers also tend to be relatively small, family-owned businesses. Eighty-two percent of those who answered the survey have one location, and 84% employ 20 or fewer people. Of those who answered the question of family employment, about 58% employ a spouse, and only 4% employ no relatives. (A full 25% of respondents chose to skip that question.)

Of the nine states covered in the survey, Utah, where dealers averaged $3,097,500 in annual marine sales, produced the most revenue. Nevada ($2,870,000), Wyoming ($1,400,000), and Arizona ($1,361,111) also showed top average marine sales. New Mexico ($803,340) averaged the least.

In making predictions of how the 1987 model year will perform as compared to revenues in 1986, most respondents (58%) predicted an increase. Twenty-five percent predicted no change, and only 7% predicted a decrease (10% had no reply). The majority opinion does not necessarily reflect boundless faith in the economy, however. Interestingly, of those who predicted an increase, only 31% cited reasons that were directly tied to the economy. Other reasons included more aggressive promotion, changes in product mix or additions of new lines, expansions and opening of new locations.

The differences in annual marine sales by state and widely differing opinions of the coming year clearly illustrate the disparity of local economies. Several dealers in Arizona, for example, predicted growth—and for a number of reasons. John Keim, owner of Surfside Marine Center in Tempe, AZ, pointed to low employment (7%) and rapid growth (Arizona's population is expected to double by the end of the century). Keim's business is located in metropolitan Phoenix, in an area dubbed the Silicone Desert, because of the number of high-tech companies located there.

Closer to the California border, on



BEST SELLERS IN MOUNTAIN STATES DEALERSHIP

BOATS

Runabouts
Fishing Boats
Cruisers
Ski Boats

ACCESSORIES

Electronics
Skis
Safety Equiptment
General Hardware

POWER OPTIONS

Inboard/Outdrives
Outboards
Inboards
Water Jets

Lake Havasu, AZ, Don Looze, owner of Havasu Marine Sales, enjoys the patronage of winter refugees from throughout the West, and as far away as Alaska during the winter months. Looze reports that winter tourists are staying at the lake for longer periods of time and spending more money.

Another dealer located in a tourist-based economy, Roger Baker of Ashley's Marine Service, in Las Vegas, NV, also reports strong sales. Baker benefits both from the high-income of his immediate area and from nearly year-round business.

One thing all three dealers have in common is that they draw customers from a wide radius. It's not uncommon for boaters in the mountain states to travel a few hundred miles when shopping for a boat, which is one indication of the competitive nature of the marine businesses in the region. Several dealers pointed to more educated buyers as one of the biggest changes over the last five years.

One effect of that is to increase the importance of advertising and promotions. (Of those who answered the question, the Yellow Pages and newspapers were the most popular mediums for promotion with 85%; 73% cited boat shows.) According to Baker, whose customers come from California, Utah, and Arizona, "You want to keep your name before the public. The normal buyer out here in this area of the country is always

CLOSEUP

Awash in the Desert

Twenty years ago when Arnie Evans introduced sailing in Utah's Great Salt Lake, that sparkling body of water—and the boating opportunities that went with it—seemed endless. Twelve hundred square miles of adventure, mountains in all directions, steady summer breezes, and few (if any) power boats to rattle the great, briny silence.

A few years before, Arnie, a motorcycle mechanic who'd grown tired of working on his power boat ("It was like not having a day off"), had built a 10-ft Bluebird cat rig sailer out of *Popular Mechanix* magazine. It was just right for the reservoirs in back of the Wasatch mountains, even though the baggy sails homemade by his wife, Connie, drooped well past the gunnels when they got wet.

Then came a 19-ft O'Day sloop, and pretty soon a Santana 22—and two glistening new Ventures, which were his ticket to a Utah franchise.

We were going to try the sailboat business and see what happened," he remembers telling Connie.

One day, ten of us who were into sailing decided to put ten docks on a nearby shore of the Great Salt Lake, where sailing was just about unheard of.

"We got permission, found there were no state requirements for life preservers because the water was so salty, swatted a lot of brine flies, and built the docks.

The marina grew with the help of a local entrepreneur, and Evans sold a couple of hundred Ventures in the next few years, then took on the Catalina line ("Bigger boats for a bigger lake"), and was off on a nice beam reach.

Soon the fast and forgiving Catalinas were dominating not only the Great Salt Lake, but

In happier times, Evans often sailed the lake with customers.

nearby lakes and reservoirs in healthy numbers. And Arnie, with the help of Connie, his dad and three sons, was opening up a handsome, vaulted ceiling dealership on Interstate 15, where he could display fully rigged Catalina sailboats.

Sailcraft was in its heyday as Arnie's Catalina sales in Utah topped the 400 mark.

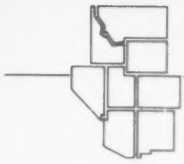
Customers liked not only Catalina, but Arnie and his family as well. Arnie loaned tools (which he almost always got back), was right there on launch day to help his customers, and stood behind his product if anything went awry. Members of the nearby Provo Yacht Club on Utah Lake liked all that—liked it enough to buy him a parrot as a token of his esteem—a nautically proper gift, they thought.

But five or six years ago, the winds began to change, so to speak, as a totally unexpected condition presented itself. Unusually heavy snows in the Wasatch mountains—several years of them in succession—brought major floods to cities along the Wasatch front. And Great Salt Lake, and Utah Lake to the south, began rising ominously.

The waters did not subside toward summer's end during those years.

The marina was threatened. Then reinforced and raised. Then

(continued on page 124)



MOUNTAIN STATES SURVEY

looking for a deal." He adds that people wait for sales and may assume that you are not running one if they don't see an ad. It also stimulates potential buyers who may not be in the boating mood.

John Keim, in Tempe, AZ, will advertise through boat shows, billboards, local newspapers, and local radio, and has held boat auctions. His biggest advertisement, he adds, is his location in a busy area with plenty of recreational outlets.

An added plus for dealers in these areas is a long selling season. Ashley's Sea Ray Boats in Las Vegas enjoys 11 good months per year, and Havasu Marine Sales reports year round selling. John Keim, near Phoenix, reports seven to eight good selling months. While the climate in the winter months may be pleasant, the water, which comes off the mountains, is too cold for boating, Keim says. He adds that July and August are often too warm.

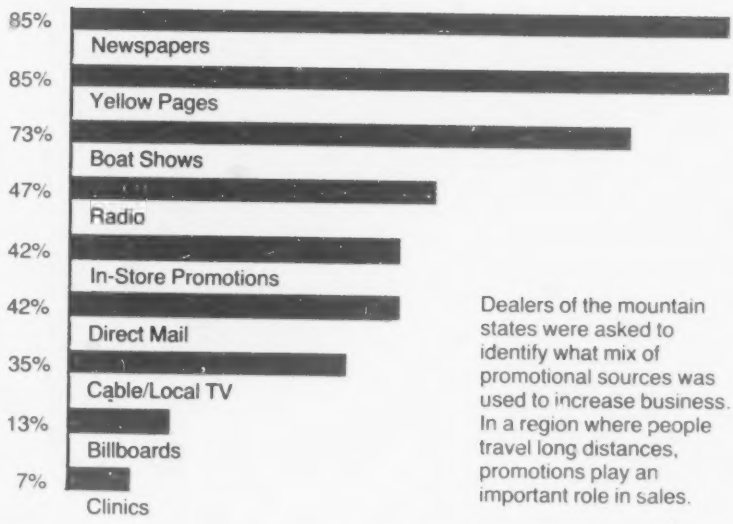
One drawback for many dealers in the region is a scarcity of water and marina facilities. According to Keim, what water is around is owned by the Federal government, and there is little private (waterfront) land for sale. Marina facilities are often leased from the Federal government and are not sophisticated. Trailering is consequently very important to the area. One dealer in Arizona dealer points out that the inconvenience of trailering long distances is holding back sales.

The economic pictures of states to the north, including Wyoming, Montana, and Idaho, are quite different. Here local economies are often based on agriculture, mining, and timber, all of which are down. One dealer in northern Montana reports that unemployment in his area is 14.8%. Compounding the situation is a short selling season and often a sparse population. Wyoming, for example, the seventh biggest state in the union, has a population of only about 450,000.

The troubled economies in these areas has had several effects. One dealer in Montana fears that boats and motors may be priced out of reach of many blue-collar workers. Another dealer states that discounters have not been able to survive the long off-season.

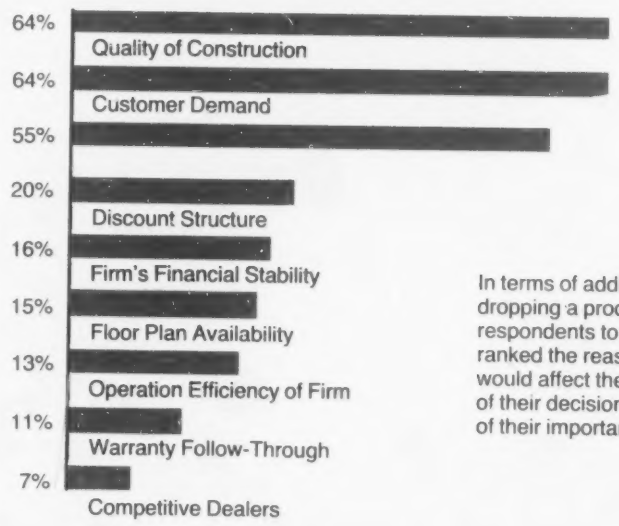
The long off-season months were cited as both an advantage and disadvantage by several dealers. While they provide breathing space and time to prepare for the next season, it is also a time of negative cash flow for some. Negative cash flow during the winter months is a major challenge for many dealers in the mountain states. Several dealers stressed strong service as being the most important aspect in attracting and maintaining customers. Other dealers, particularly in the northern states, sell non-marine products,

HOW MOUNTAIN STATE DEALERS PROMOTE THEIR BUSINESS



Dealers of the mountain states were asked to identify what mix of promotional sources was used to increase business. In a region where people travel long distances, promotions play an important role in sales.

FACTORS INFLUENCING PRODUCT DECISIONS BY MOUNTAIN STATE DEALERS



In terms of adding or dropping a product line, respondents to the survey ranked the reasons that would affect the outcome of their decision in order of their importance.

such as snow skis, snowmobiles, and camping equipment during the fall and winter months.

Another challenge for dealers in the mountain states is labor. Dealers who can't afford to pay good mechanics during the winter months are faced with chronic labor shortages.

While most dealers wrote that there was an adequate supply of labor, many added that there was a shortage of skilled marine mechanics—especially in remote inland areas. According to Bill White, of Glendo Marina, Glendo, WY, it is not always easy to find a good mechanic who likes the rugged lifestyle there. White usually advertises for mechanics in major metropolitan areas, such as California or the Midwest. "We tend to get a lot of inquiries from people who have this dream. But when they see the reality of living in a small community, where the nearest doctor may be 30 miles away and where you might have to travel at least 60 miles, and maybe 200 miles just to go shopping, the thought of moving here tends to lose some of its romanticism. A lot of people like to dream but are not willing to make the sacrifices that are there." On the plus side, people who adapt to the area and become excited about it tend to be good and loyal employees.

Further south, in the Sunbelt states, availability tends to be better, although several respondents cited a lack of skilled mechanics. One Arizona dealer cited an influx of labor from Washington and Oregon, where there is higher unemployment.

As in other areas of the country, dealers in the mountain states are faced with rising costs of doing business. Several dealers pointed to a concern for maintaining profit margins, especially in the light of taxes, insurance costs, rising in product prices.

Another cause for concern is the high cost of freight in some remote areas, and distance from suppliers. Some manufacturers overcome the problem with a freight parity program (i.e., Four Winns). Don Looze, of Havasu Marine Sales, Lake Havasu, AZ, claims that he has been able to cut his shipping costs in half.

CLOSEUP

Profiting From Challenge

Carving out a successful living as a marine dealer in the rugged mountains of Wyoming can be a daunting challenge. While the natural environment is one of stunning vistas, the business environment is demanding, with a sparse population, short boating season, and soft economy.

One dealer who has prospered by doing business in the region on its own terms is Bill White, owner of Glendo Marina, Glendo, WY. Located in a area with an abundance of water—much of it in the form of reservoirs from dammed rivers—the dealership is situated on Glendo Reservoir, a sizable body of water with 110 miles of shoreline. White, a Sea Ray dealer who's best selling boat types include aluminum fishing boats, runabouts, and pontoons, enjoys the patronage of people who value the outdoor lifestyle.

White views the unique aspects of doing business in the mountain states as a series of challenges, and foremost of these is the scarcity of people. Located in a community of only about 325 people, the dealer draws its customers from a wide radius, including all over Wyoming, Colorado, and Nebraska. The same consumer patterns that, in the rest of the country, are influencing people to travel greater distances for the best buy are also at work in Wyoming, but on a larger scale. "Distances mean nothing to people out here," says White. That tendency has contributed to the relative importance of the advertising dollar in attracting customers.

In order to hold on to those customers, White has found it best to be something of a generalist in his product mix, which includes family-oriented fishing, skiing, and cruising boats. Specialty boats, like bass boats, do

Bill and Charlotte White stress the personal nature of their business.

less well, he says. "We find that we can't be a specialist if we don't have a broad, big market to deal with....Here you have to be all things to all people, because things are on a smaller scale."

Despite a short boating season of four to five months, White, like other dealers, is feeling pressure from manufacturers to purchase on a year round basis. Efforts to improve the cash flow during the off-season months have led him to become more promotion minded, running events on a monthly basis.

White indicates that he is fortunate in that a lot of tourists will come to his area, attracted by the clean air and openness. "If they come up here on a regular basis we have a good crack at selling them a boat," he says. "We try to develop a one-stop operation, where they can buy a boat, get it serviced, add accessories, and store it, hop in their economy car or motor home and come up to the lake."

In an area far from metropolitan centers (Glendo is about 200 miles from Denver), doing business takes on a personal tone in which customer relationships have an added significance. "In marine businesses in the West, integrity and reliability of the company, as reflected by its ownership, are very important....If

(continued on page 124)

Before that, he used to cut costs by doing his own trucking of product.

In a region often characterized by sparse populations, where people are often willing to travel long distances for the best deal on a boat, competition can be fierce. According to J.R. Malonf, of Duce Marine, Salt Lake City, UT, "Once in a while we'll get people from 500, 600, 700 miles away to save on a boat purchase." While Salt Lake City is not a particularly big resort area, it is pretty competitive, he says. "I think that we gain more from out of state than we lose....I doubt that there will be any more boats sold in Utah than last year. We just go after a bigger market share every year. That's how we keep going—taking from the other dealers."

Dennis J. Peterson, owner of Peterson Marine, with two locations in Ogden and Salt Lake City, UT, says that competition in his area is strong. Peterson, a Bayliner dealer, says that he draws customers from a wide radius. Utah has a population of under 2 million and only three major population centers. People travel long distances for boats, especially in the $15,000 to $20,000 range, he says. One-quarter of his business comes from out of state, and most of those boats, up to 34 ft, are trailered.

The lack of population in some areas can be daunting. One dealer in Utah stated that he was the only boat dealer in 25 counties, then added that there were only 25,000 people in the area.

Several dealers stated that price cutting has become more common. In commenting on the biggest change in the past five to ten years, one dealer cited much more competition: "...not meaning good competition—the dirt lot operators that come in and go out of business."

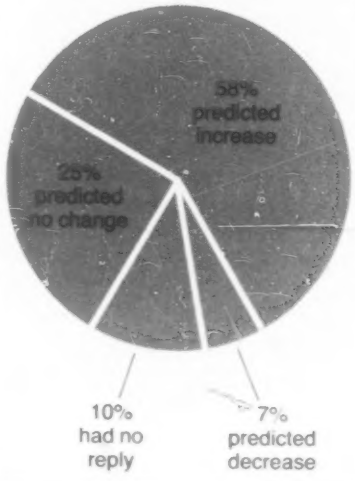
One Nevada dealer states that he gets strong competition from the Los Angeles area. He cites price controls as being important to business: "I can go to L.A. and get items cheaper than I can get wholesale."

John Keim, of Surfside Marine Center, Tempe, AZ, says that competition in his area is heavy, with 28 dealers who sell glass boats. All major lines are represented, he says, except Chris Craft. Roger Baker of Ashley's Sea Ray Boats in Las Vegas, says that an important factor in his area is that the consumer is getting much more educated, is shopping around more and looking at price. While some lines offer cutthroat prices, that is not a real problem in Las Vegas, he says.

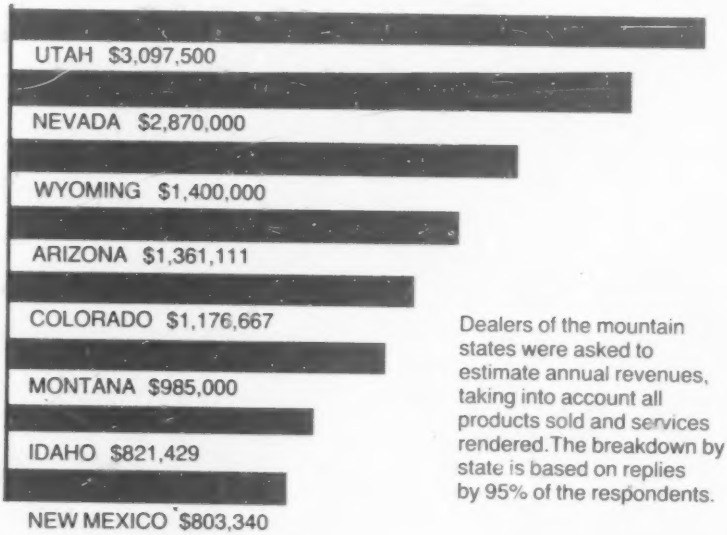
One trend that is affecting boat dealers in the mountain states is that manufacturers are becoming more demanding, looking for commitments to take on more of line. According to Roger Baker, the marine industry is becoming more and more like the auto industry. "You are going to see the auto industry's expertise rub off on the marine industry. It's just a matter of time. They're looking for more market penetration, they're looking for units, and they're looking for volume." John Keim agrees, especially in regard to the "Big Four": Bayliner, Sea Ray, Wellcraft, and Four Winns. One impact may be pressure to become exclusive dealers.

On the plus side, most of the dealers surveyed predicted an increase in business, and several indicated expansions or additional locations. Many pointed to an increase in the number of boaters each year, and expect that to continue. Others stated that there is an increase in the number of "affordable" boat packages available. (One Arizona dealer said that the introduction of Bayliner and BassTracker to his market has made it more competitive.) Interestingly, a good number of those who predicted an increase in sales in 1987 had just taken on new lines. Perhaps most important, dealers throughout the region pointed to a public that thrives on an outdoor lifestyle. □

'87 MODEL YEAR COMPARED TO '86 REVENUES



RANK OF ANNUAL MARINE SALES BY STATE



Dealers of the mountain states were asked to estimate annual revenues, taking into account all products sold and services rendered. The breakdown by state is based on replies by 95% of the respondents.

EVANS

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threatened again. And further raised. At Utah Lake, 50 miles southward, the state-operated marina, foot by critical foot, slowly succumbed as breakwaters became shoals, picnic grounds became shallows, and finger piers were hauled off to higher ground.

Sadly for Arnie, the water of the lake, which once provided both income and quiet peace in the desert land, is slowly drowning his business.

Utah Lake State Park marina has been flooded for three years. And if you were to visit Great Salt Lake Marina today, you'd see water lapping at the eaves of the restrooms. A little remnant of past sailing glory on the lake—some 20 sailboats—sit at anchor in the shelter of Saltair, a magnificent "lakeside" resort that is now surrounded by water as her owners fight to save her.

Arnie?

"It's awesome, unbelievable," he quietly concedes in his down-home Utah way. "It's almost impossible now to sell a new sailboat," he laments. "Catalina has really been patient," he adds.

So he's storing 30 boats in his yard, selling used ones, working on boats. And hoping.

The future?

Utah is spending $40 million on pumps to move some of the water to other desert areas—and hopefully to save a good portion of Salt Lake City itself if the water continues to rise.

Arnie and Connie have sold their Catalina 27 and are down to a easily trailerable 22. They're trying to lease their location to tide them over. And hoping fervently for a light winter, a receding lake.

"I never thought that too much water would ruin our business, especially in the desert."

He pauses, ponders.

"If we're careful, we'll just make it.

"But only Mother Nature knows for sure." □

—Herbert E. McLean

WHITE

continued from page 71

a customer is not pleased with service or whatever, he'll tell other people, and I've lost a customer for boating."

Another challenge to doing business in this area of the West is a soft economy, which is based on energy and agriculture. "People still want to go boating, although they may not be able to do it on as grand a scale as when the economy was up and running," says White. The money is still there, it has just been redistributed, he adds. White expects business this year to be as profitable as it was in 1986, although he concedes that the poor economy will put some stress on his margins.

Despite these challenges—or perhaps because of them—this region can be a special place to set up a marine dealership. Those who adapt to this type of environment wouldn't have it any other way. □

—John De Gaspari

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